



Q1 2023 Investor Presentation



# Safe Harbor Statement



All references to the “Company,” “we,” “our,” and “us” refer to Heritage-Crystal Clean, Inc., and its subsidiaries. This release contains forward-looking statements that are based upon current management expectations. Generally, the words “aim,” “anticipate,” “believe,” “could,” “estimate,” “expect,” “intend,” “may,” “plan,” “project,” “should,” “will be,” “will continue,” “will likely result,” “would” and similar expressions identify forward-looking statements. These forward-looking statements involve known and unknown risks, uncertainties and other important factors that could cause our actual results, performance or achievements or industry results to differ materially from any future results, performance or achievements expressed or implied by these forward-looking statements. These risks, uncertainties and other important factors include, among others: our ability to successfully integrate our acquisition of Patriot Environmental Services, Inc. and achieve the benefits contemplated by the acquisition; developments in the COVID-19 pandemic and the resulting impact on our business and operations, general economic conditions and downturns in the business cycles of automotive repair shops, industrial manufacturing businesses and small businesses in general; increased solvent, fuel and energy costs and volatility, including a drop in the price of crude oil, the selling price of lubricating base oil, solvent, fuel, energy, and commodity costs; the impact of inflationary pressures on our business; our ability to enforce our rights under the FCC Environmental purchase agreement; our ability to pay our debt when due and comply with our debt covenants; our ability to successfully operate our used oil re-refinery and to cost-effectively collect or purchase used oil or generate operating results; increased market supply or decreased demand for base oil; further consolidation and/or declines in the United States automotive repair and manufacturing industries; the impact of extensive environmental, health and safety and employment laws and regulations on our business; legislative or regulatory requirements or changes adversely affecting our business; competition in the industrial and hazardous waste services industries and from other used oil re-refineries; claims and involuntary shutdowns relating to our handling of hazardous substances; the value of our used solvents and oil inventory, which may fluctuate significantly; our dependency on key employees; our level of indebtedness, which could affect our ability to fulfill our obligations, impede the implementation of our strategy, and expose us to interest rate risk; the impact of legal proceedings and class action litigation on us and our ability to estimate the cash payments we will make under litigation settlements; our ability to effectively manage our network of branch locations; the control of The Heritage Group over the Company; and the risks identified in the Company's Annual Report on Form 10-K filed with the SEC on March 2, 2022. Given these uncertainties, you are cautioned not to place undue reliance on these forward-looking statements. We assume no obligation to update or revise them or provide reasons why actual results may differ. The information in this release should be read in light of such risks and in conjunction with the consolidated financial statements and the notes thereto included elsewhere in this release.



# HCCI Introduction





# Our Vision and Mission

## Crystal Clean's Vision

To Protect the Earth's resources by helping the business world run cleaner.

## Crystal Clean's Mission

To continually drive an employee-empowered culture dedicated to providing premier, environmentally sustainable solutions to our customers.







## SAFETY

We want everyone to go home to their families every night safe and sound. We do this by being responsible for yourself and your team members, using your "Stop Work" authority in unsure or unsafe conditions. Have the courage to speak up.



## HONESTY

We perform our services the right way. Transparent and open; we don't cut corners. We do the right thing, in every situation, every day.



## ACCOUNTABILITY

Never walk past a problem. Fix it. We take ownership of our jobs, and each individual is accountable to themselves and the company. It's how the employee and company grow.



## RESPECT

Give every employee and customer the respect they deserve; Be a good listener, taking the time to address issues large and small.



## RELATIONSHIPS

It's a relationship business. Get to know your customers and your fellow employees. Focus on the 'service' mentality and what you can do for them, instead of what they can do for you.



## EXCELLENCE

We were built on grit and drive, a company where everyone pitches in to achieve excellence. A company where we do whatever it takes to safely get the job done and exceed expectations. It's tough work. Our people are tougher.



## INCLUSIVE

We are a diverse company that embraces all.

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# CRYSTAL CLEAN VALUES



# HCCI Strengths & Opportunities

## Demonstrated Strengths

- ◆ Excellent Customer Service
- ◆ Integrated Sales & Service Approach
- ◆ Large Branch Network – 91 Branches; 14 Industrial Services Facilities
  - Efficient Rollout Model
- ◆ Large and Highly Diverse Customer Base
- ◆ Experienced Management Team

## Numerous Growth Avenues

- ◆ Same-Branch Sales Growth
- ◆ Expanded Service Offerings
- ◆ Geographic Expansion
- ◆ Pursuing Acquisition Opportunities

# HCCI Business Segments

## Environmental Services

- ◆ Products & Services: parts cleaning, containerized waste, wastewater vacuum services, emergency and spill response, industrial and field services and antifreeze recycling services and product sales
- ◆ Provider of industrial and hazardous waste services to a wide swath of customers from small and mid-sized companies to large companies and governmental entities
- ◆ Operator of 10+ non-hazardous waste processing centers (wastewater treatment, non-haz solids) and 5 antifreeze recycling center and 1 solvent recycling facility
- ◆ Parts Cleaning Services:
  - 2nd largest full-service provider in the U.S.
  - Reduce the volume of hazardous waste generated and associated regulatory burden for our customers
  - Strong recurring revenue business with majority of revenues under automatically renewing service contracts
- ◆ Customers outsource their environmental needs to HCCI which allows them to focus on their core business

## Oil Business

- ◆ Includes used oil collection, oil filter disposal, RFO sales, re-refining and the sale of base oil and related by-products
- ◆ Complementary to Environmental Services segment; leverages branch infrastructure
- ◆ 2<sup>nd</sup> largest used oil collector and re-refiner in North America
- ◆ Integrated business from used oil collection to marketing and sale of re-refined base oil
- ◆ Annual base oil capacity of 50 million gallons (effective Q1 2022)



# Business Segments(cont.) & Calendar Changes



## New Industrial & Field Services Segment

- ◆ Effective January 1, 2023, we will begin reporting in three segments: Environmental Services, Oil Business and Industrial & Field Services
- ◆ The activities reported in the Oil Business segment will not change.
- ◆ Results for the following businesses and facility operations will be removed from the Environmental Services segment and reported through the new Industrial & Field Services segment:
  - Former Patriot Environmental business
  - Legacy HCC Field Services business
  - Results from the operations of our Non-Hazardous Waste Processing Facilities (e.g., containerized waste processing and wastewater treatment processing)
- ◆ The Environmental Services segment will reflect results from our parts cleaning and antifreeze businesses as well as the collection and third-party disposal activities of our containerized waste and wastewater vacuum businesses

## Calendar Change

- ◆ Effective January 1, 2023, we will begin to report our results on a calendar quarter and calendar year basis.
- ◆ Years 2022 and prior were reported on the following basis
  - Our year-ended on the Saturday closest to December 31<sup>st</sup> which resulted in a 52-week or 53-week year.
  - The first three fiscal quarters were 12 weeks long and our fourth quarter was 16 or 17 weeks long





# Sustainability at Heritage-Crystal Clean

Crystal Clean is in the process of growing our Environmental, Social, & Corporate Governance (ESG) initiative. A new framework specific to our operations will include an action plan that will allow Crystal Clean to continue to build, implement, measure, and communicate ESG success with its stakeholders.

## Environmental

- To be an environmentally responsible member of the communities we operate in.
- To provide our customers with options to preserve and reuse natural resources.

## Social

- To provide a safe, rewarding, and developmental workplace.
- To positively impact the communities we operate in through various forms of outreach and philanthropic activities.

## Governance

- To operate our business with a high ethical standard and the utmost integrity.
- To embrace diversity at our highest levels of corporate governance.



# Sustainability at Heritage-Crystal Clean

Crystal Clean developed its sustainability program using the United Nation's 17 Sustainable Development Goals (SDGs). The 17 goals are a holistic approach to achieving sustainable development on a global scale.

Crystal Clean has focused on five areas that shape the SDGs: **Planet, People, Partnerships, Prosperity, and Peace**. These five P's will allow us to measure our progress as we move towards achieving a better and more sustainable future.



## PLANET:



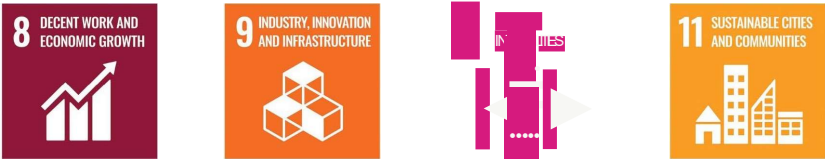
## PEOPLE:



## PARTNERSHIPS:



## PROSPERITY:



## PEACE:





2022 Sustainable Operations Include:



of used oil processed  
for re-refining



of wastewater treated  
at our facilities



of waste reclaimed  
for energy



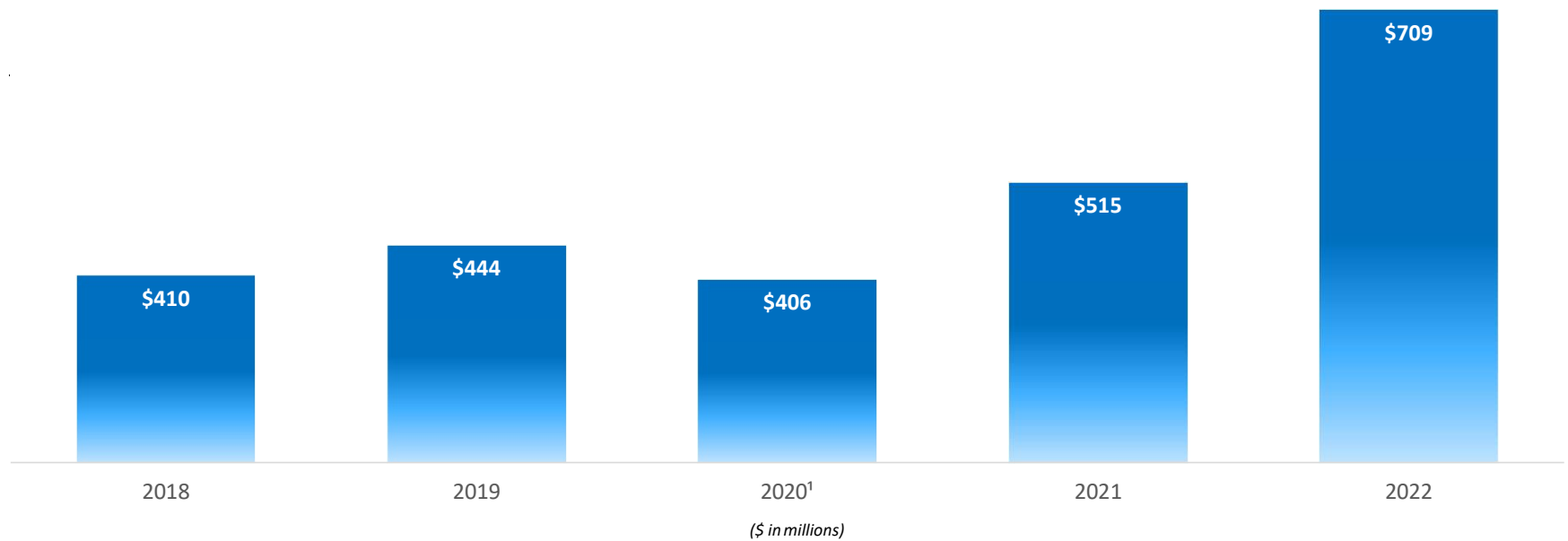
of spent antifreeze  
collected for recovery



of used solvent  
processed in our vacuum  
distillation tower



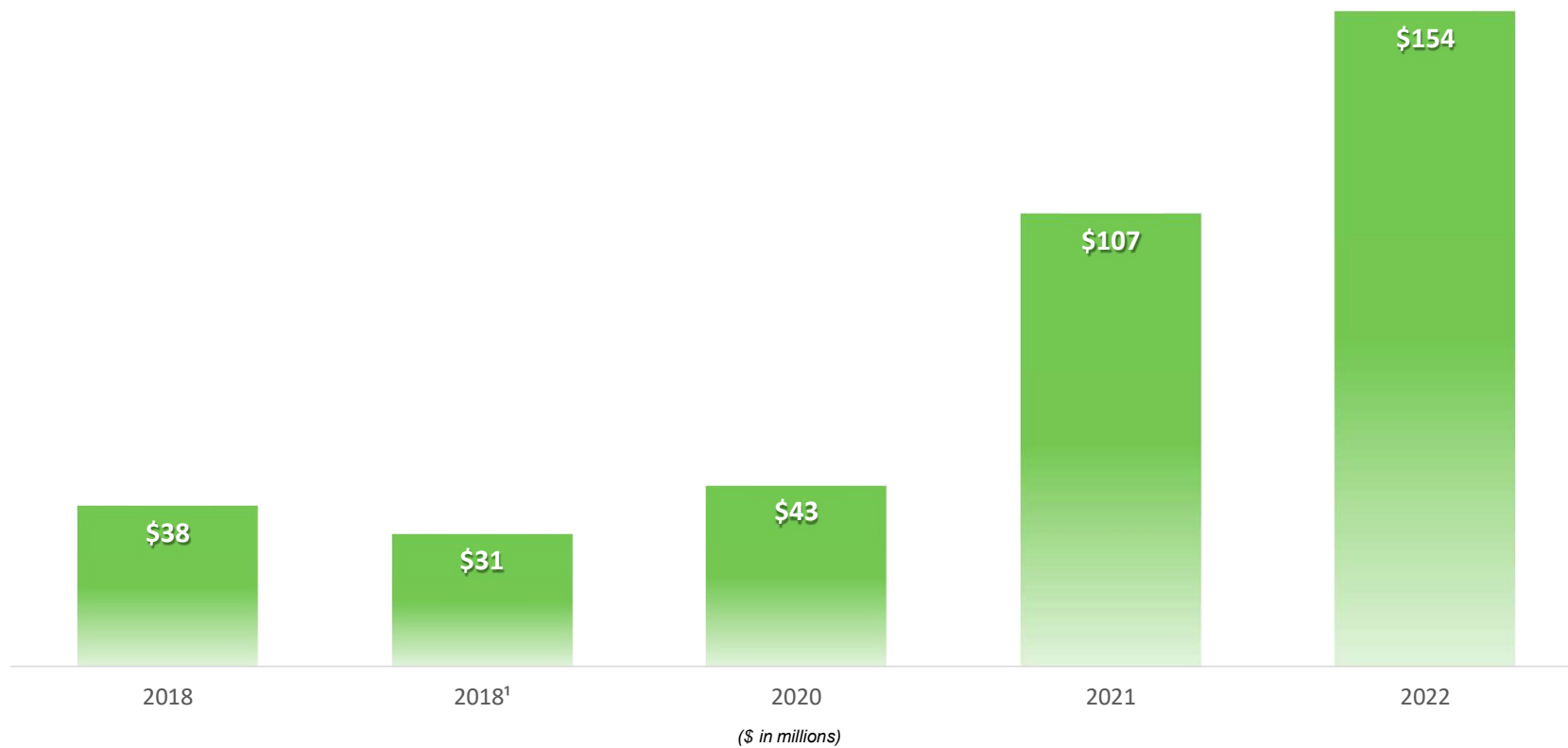
# Historical Sales Growth



(1) Revenue negatively impacted due to COVID-19

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# EBITDA Trend



(1)- This figure reflects a one-time \$11M charge related to a class action lawsuit.

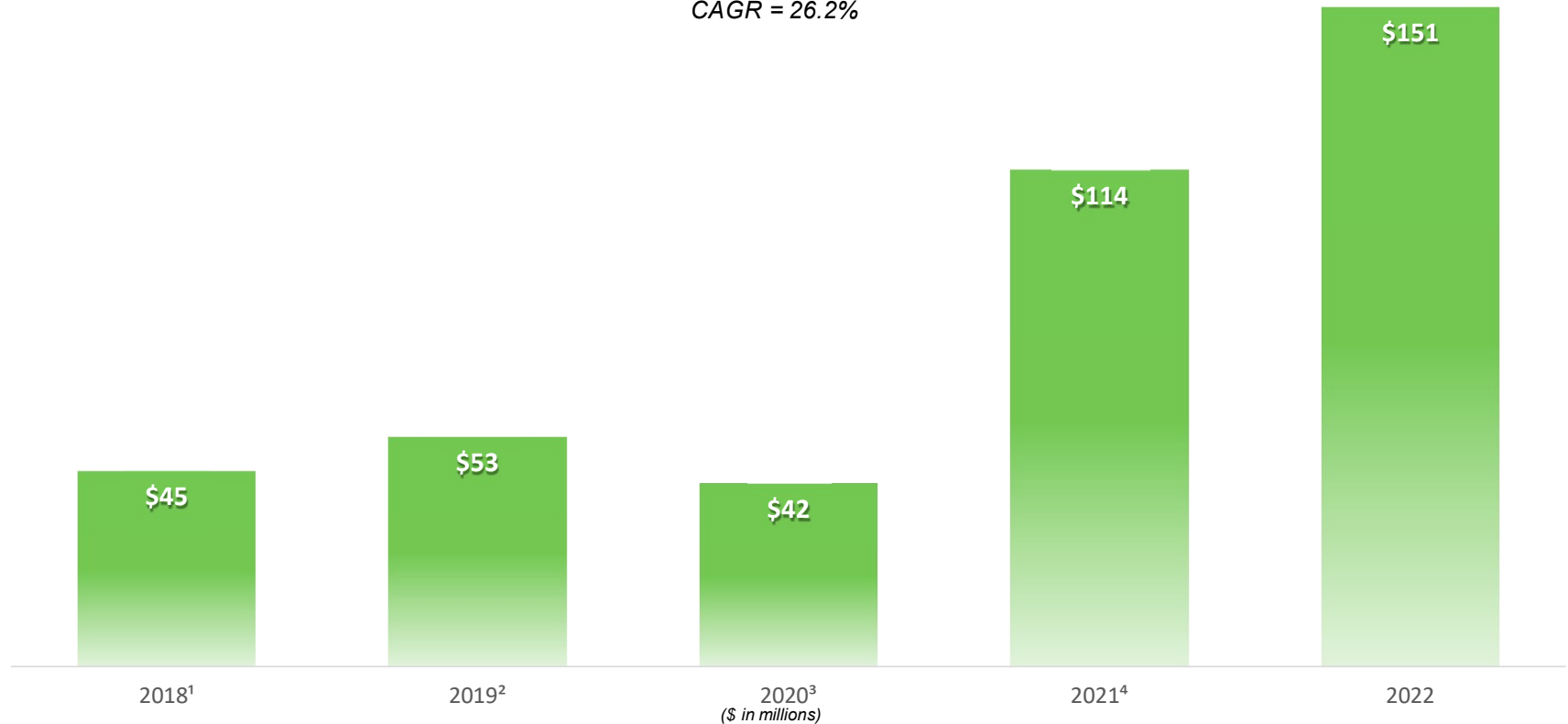
There is a reconciliation between Net Income and EBITDA and the end of this presentation

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# Adjusted EBITDA Trend

CAGR = 26.2%



(1)- Includes add-backs for severance (\$0.7MM), and site closure costs (\$1.0MM)

(2)- Includes add-backs for a lawsuit settlement (\$11.0MM), severance (\$0.8MM), site closure costs (\$2.7MM), lease accounting standard (\$2.2MM) and 842 implementation costs (\$0.4MM)

(3)- Includes reversal of lawsuit settlement gain (\$6.5MM), add-backs for impairment charges (\$1.4MM) severance (\$0.9MM), site closure costs (\$0.2MM)

(4)- Includes add-backs for acquisition costs (\$1.2MM)

Note – All years exclude non-cash compensation

There is a reconciliation between Net Income and AEBITDA for the current year at the end of this presentation

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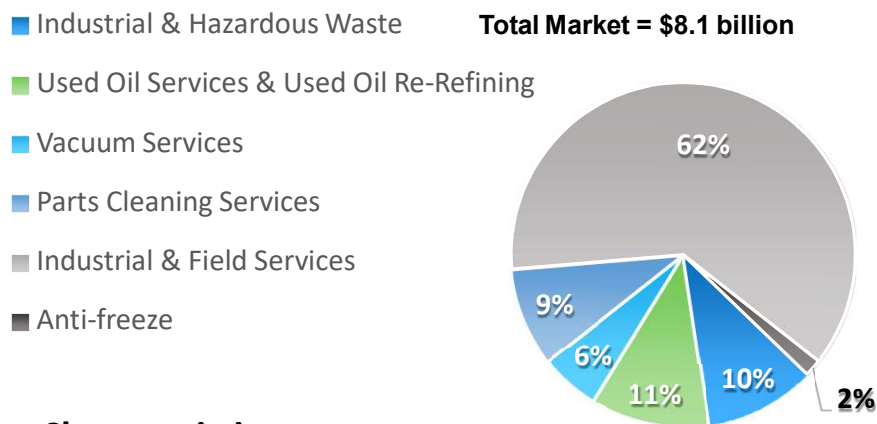


# Industry



# Large, Attractive Market

## Market Addressed by HCCI<sup>(1)</sup>

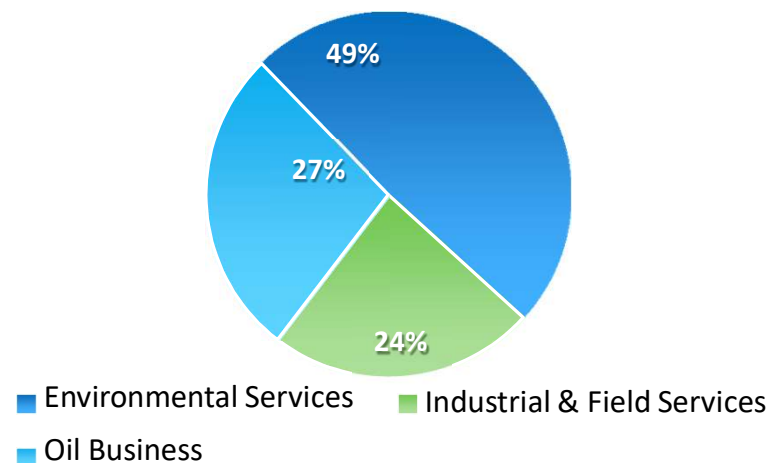


## Key Characteristics

- ◆ Approximately 810,000 establishments in the U.S. engaged in manufacturing or vehicle maintenance <sup>(2)</sup>
- ◆ Establishments need to remove grease and dirt from parts with industrial cleaning solutions
- ◆ Establishments generate used oil, waste paint, etc. which cannot be poured down the drain
- ◆ For small- and medium-sized generators, it is far more cost-effective to outsource to HCCI than manage themselves

## HCCI Revenue by Segment

Q1 2023 Total Revenue = **\$193.5 Million**



(1) Source: Management estimates. (2) Source: U.S. Census Bureau 2017.

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# Competitive Landscape

## Highly fragmented

- ◆ Competitors typically include smaller regional firms or companies operating in a single city

## Significant barriers to entry

- ◆ Route density is needed before profitability can be achieved
- ◆ Spill response certifications (e.g., OSRO) are difficult to obtain and hard to maintain
- ◆ Significant capital is required to provide parts cleaning equipment for customer use
- ◆ A used oil re-refining plant of significant scale can cost \$100 million or more to build
- ◆ Obtaining permits for transportation and operating sites is time consuming and expensive
- ◆ Extensive branch service and supporting transportation network is costly and may take a long time to develop

## Clean Harbors/ Safety-Kleen is a competitor in all of our businesses

- ◆ HCCI believes that it competes favorably based on customer service and a broad service offering, and HCCI can depend on the depth of experience of its management team



# Environmental Services



# Environmental Services Offer

- ♦ Majority of Revenue from three Businesses

- Parts Cleaning
- Containerized Waste
- Wastewater Vacuum

- ♦ Expanding Businesses

- Antifreeze

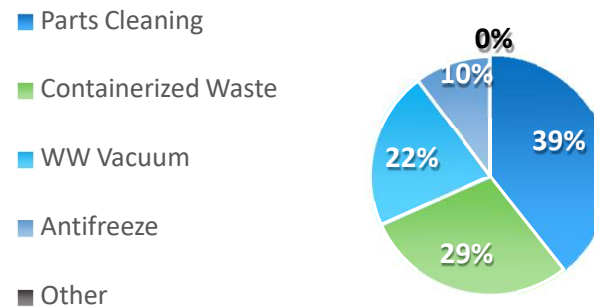
- ♦ ES Businesses Leverage

- Common customer set
- Facilities (i.e., branches)
- Branch management

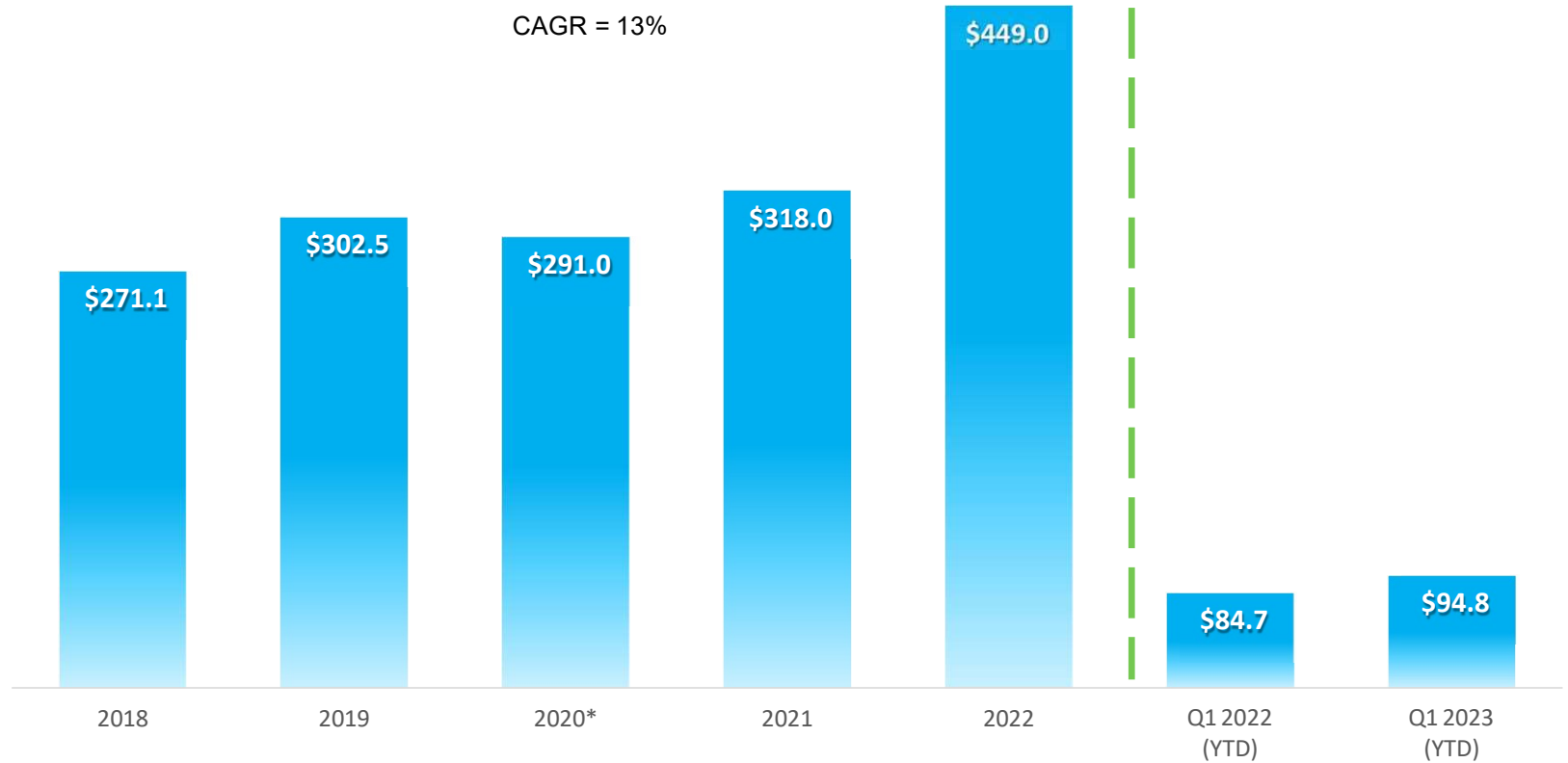
## HCCI Environmental Services Revenue

Q1 2023

\$94.8 million

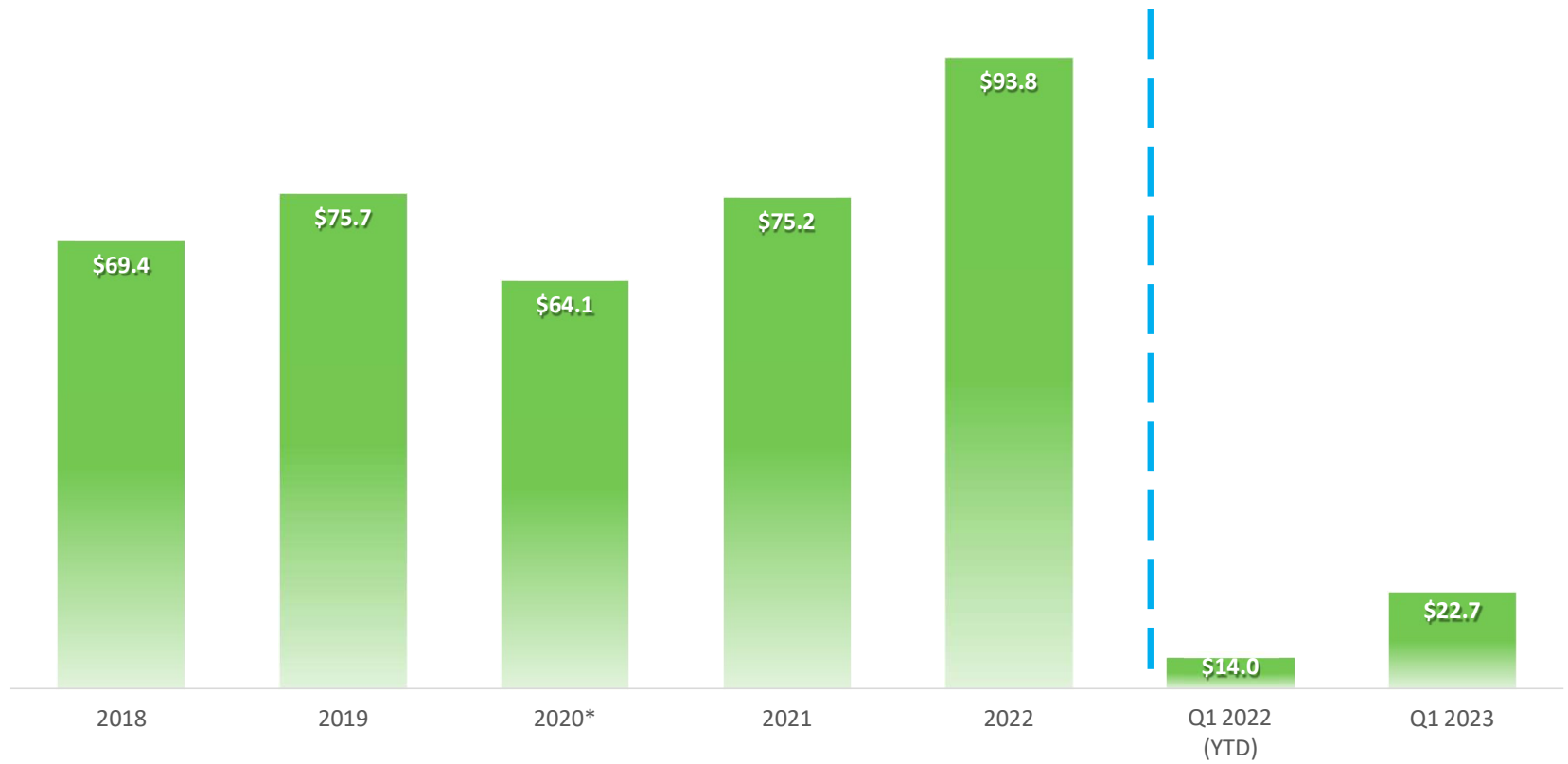


# Environmental Services Sales Growth



\* Results negatively impacted by COVID-19

# Environmental Services Operating Margin





# Parts Cleaning Service Offer

- ◆ Provide customers the ability to remove oil, dirt, grease and other contaminants from parts
- ◆ Differentiators
  - Aqueous parts cleaning
    - Patented equipment technology
    - Proprietary chemistry formulations
  - Reuse & Non-Hazardous program
- ◆ Automatically renewing service agreements
- ◆ Strong revenue growth for over two decades



# Containerized Waste & Wastewater Vacuum Service Offer

## ◆ Containerized Waste Service

- Manage hazardous and industrial waste
- Full Service
  - Waste profiling, analysis and regulatory support
  - Loading & labeling of containers
  - Provide proper shipping documentation
- Peace of mind



## ◆ Wastewater Vacuum Service

- Remove and dispose of non-hazardous waste liquid and solid-liquid mixtures
- Capabilities to service small & large volume customers
- Wastewater treatment capabilities in some markets
- Peace of mind

# Antifreeze Recycling and Remanufacturing

- ◆ Complete closed-loop antifreeze
  - Remove waste antifreeze
  - Recycle waste via distillation process
  - Create re-manufactured product using high quality inhibitors/additives
- ◆ Market approach
  - Dedicated route sales & service reps in some markets
  - Add-on service for existing parts cleaning/waste drum service in other markets
- ◆ Antifreeze Products
  - Light Duty
    - Conventional Plus HD Green
    - Global Extended Life LD (OAT)
    - Dex Cool Extended Life (OAT)
  - Heavy Duty
    - Conventional Plus HD Green
    - Global MAX Extended Life HD (OAT)
    - Global POWER Extended Life (NOAT)
- ◆ Related Products & Services
  - Heat Transfer Fluids
  - Windshield Wiper Fluid



# Environmental Solutions Partners



- Offered to potential customers on the large-end of our target market
- Provide sole-source environmental program covering all environmental activities at target companies
- Leverage several services lines simultaneous which drives:
  - Greater average revenue per customer – AND-
  - Improved margins
- Currently offered in ~25% of HCC branches



# Environmental Services Segment Update & Outlook



## Revenue

- Increased 28.9% in Q1 2023 compared to Q1 2022 (20.9% increase normalized for change in reporting calendar)
- The increase to \$94.8 million represents a record high for a three-month quarter
- The increase was mainly due to increased demand and higher prices for our services compared to the prior year quarter.



## Operating Margin, SG&A

- Operating margin percentage was 24.0% in Q1 2023 compared to recast margin of 17.7% of revenue in Q1 2022
- The increase in operating margin was mainly driven by increased pricing relative to increased operating costs



## Earnings

- We believe we will continue to generate mid-teen revenue growth during the second quarter as macro economic indicators continue to show signs of a softening economy.
- From an operating margin perspective, while certain operating costs have moderated, we have been facing, and expect to continue to face, inflationary pressure in some areas of our business such as third party hazardous waste disposal. We expect second quarter operating margin in the Environmental Services segment to be relatively flat compared to the first quarter of 2023.





# Industrial & Field Services



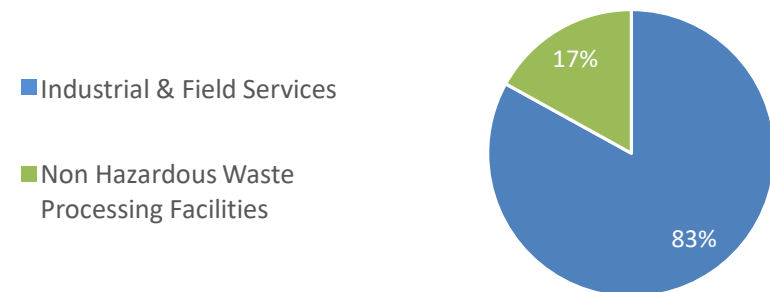
# Industrial and Field Services Offer

- ◆ Majority of Revenue from Four Businesses
  - Industrial & Field Services
  - Non Hazardous Waste Processing Facilities
- ◆ Expanding Business Opportunity
  - PFAS transportation, treatment and disposal
- ◆ IFS Businesses Leverage
  - Common customer set
  - Branch management

## HCCI Industrial & Field Services Revenue

**Q1 2023**

**\$45.8 million**



# Industrial, Field & Response Services

## ■ Response Services

- Industrial cleaning, oil spill response and remediation services
- Equipped to handle both hazardous and non-hazardous materials
- OSRO-Oil spill response including preparation assistance with contingency planning and spill drills
- Emergency response services
- Disinfect and decontaminate affected areas and properly manage the resulting hazardous and infectious waste



## ■ Industrial & Field Services

- Expert project management, coordination and administration for projects of all sizes and in any location
- Oilfield sludge & mud management
- Tank cleaning
- Remediation
- Lab packs



# Industrial and Field Services Segment Update & Outlook



## Revenue

- Increased 34.7 million in Q1 2023 compared to Q1 2022
- Increase was mainly driven by the revenue from our acquisition of Patriot Environmental Services during the second half of 2022, and to a lesser extent, by higher demand and increased prices in our legacy field services business.



## Operating Margin, SG&A

- Operating margin percentage was 16.3% in Q1 2023 compared to recast margin of 9.8% of revenue in Q1 2022
- We re-classified certain labor and benefit costs from SG&A to operating expense during Q1 2023. If not for this change operating margin would have been 19.5% in Q1 2023.
- The increase in operating margin was mainly driven by increased revenues and better contribution margin from the Patriot Environmental acquisition



## Earnings

- We believe we will generate mid-to-high-single digit (and possibly higher) revenue growth in the second quarter compared to the first quarter of 2023.
- From an operating margin percentage standpoint, we expect to be in the mid-teens range. Longer term we are adding significant drum processing capabilities to our industrial and field services segment which will begin to lower our reliance on third party suppliers while increasing margin contribution.





# PFAS

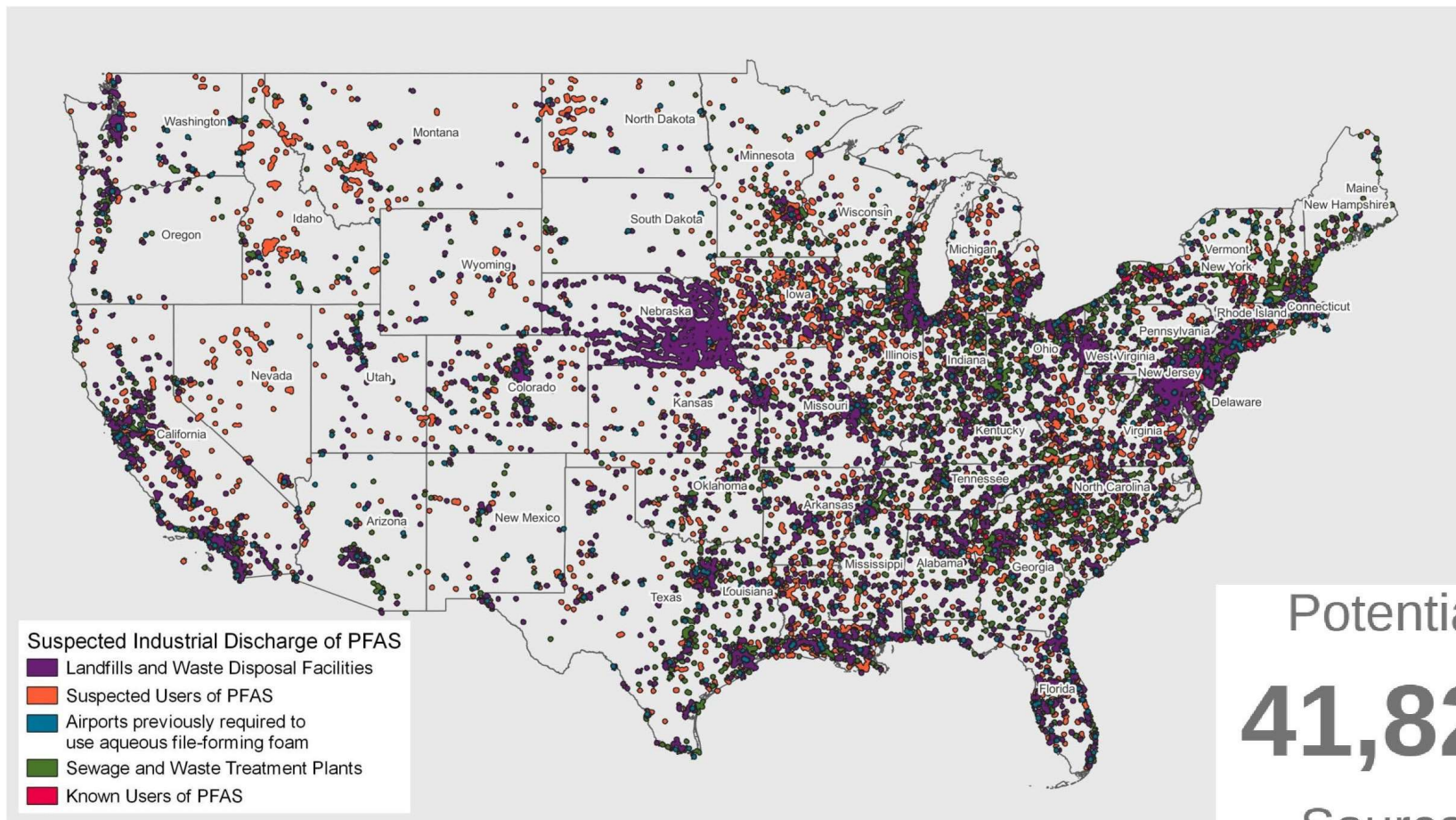


# What is PFAS?

The per- and polyfluoroalkyl substances (PFAS) are a group of chemicals used to make fluoropolymer coatings and products that resist heat, oil, stains, grease, and water. Fluoropolymer coatings can be in a variety of products. These include clothing, furniture, adhesives, food packaging, heat-resistant non-stick cooking surfaces, and the insulation of electrical wire.



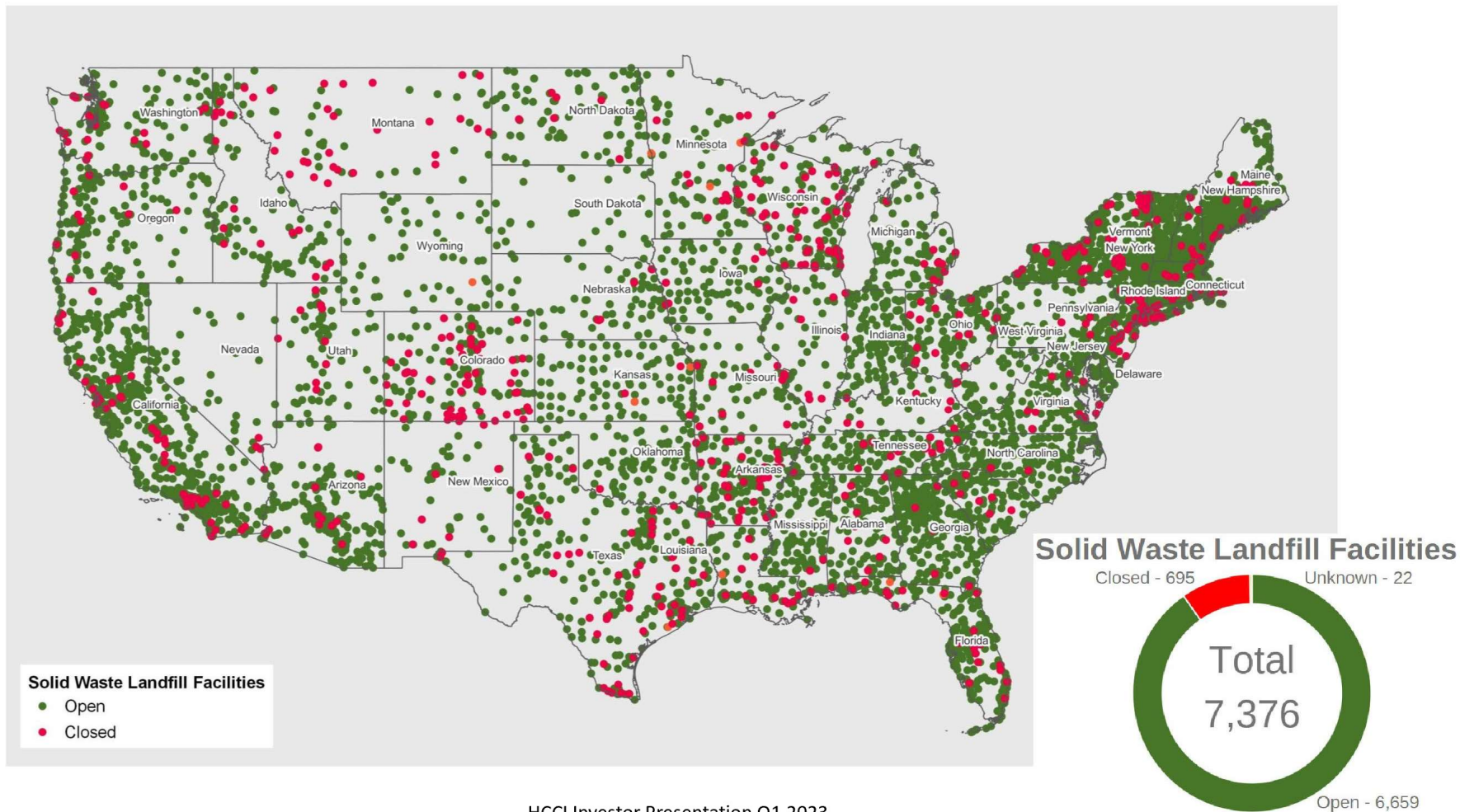
# Market Opportunity



Potential  
**41,828**  
Sources

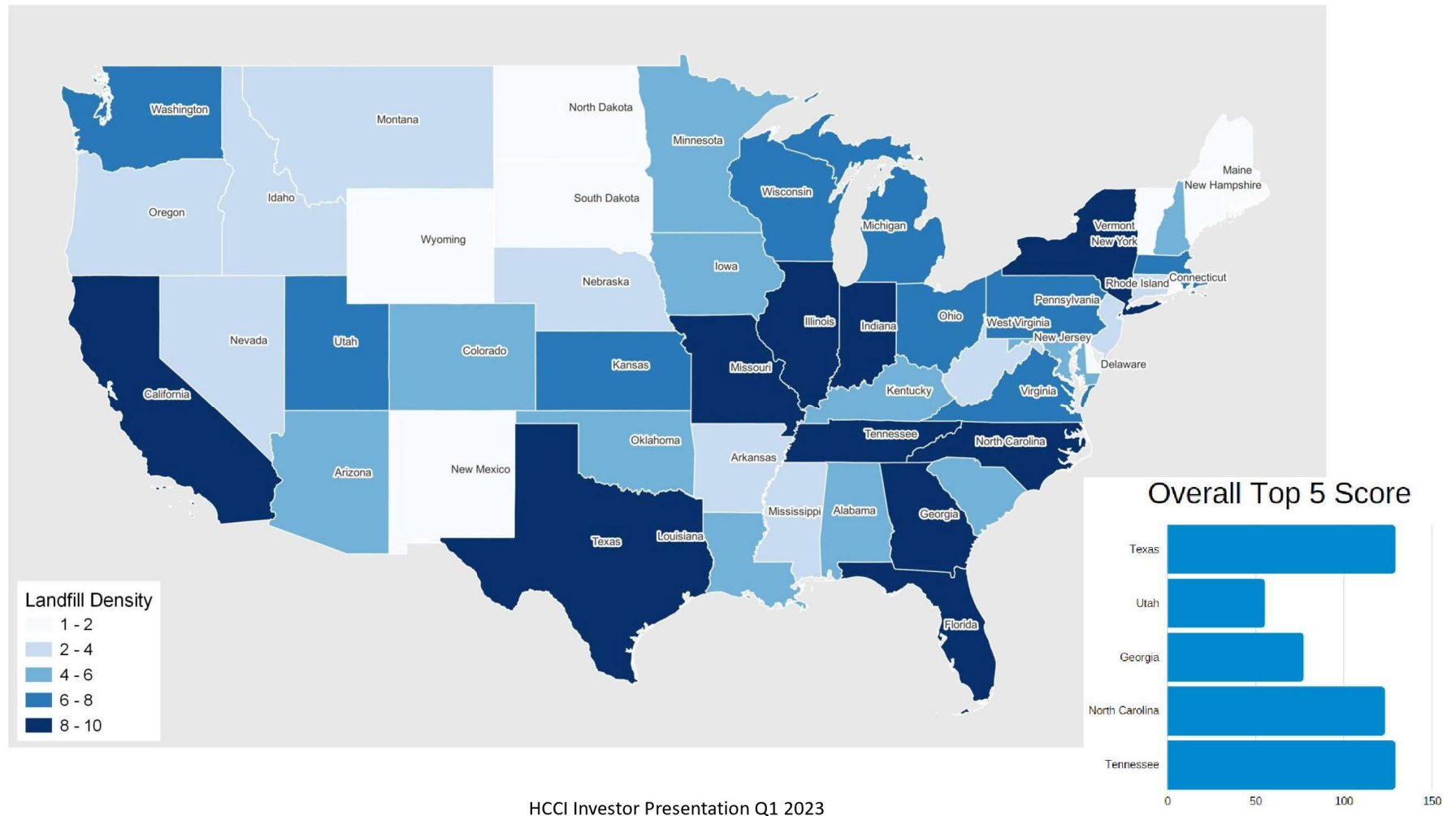


# Market Opportunity Cont'd.





# Market Opportunity Cont'd.

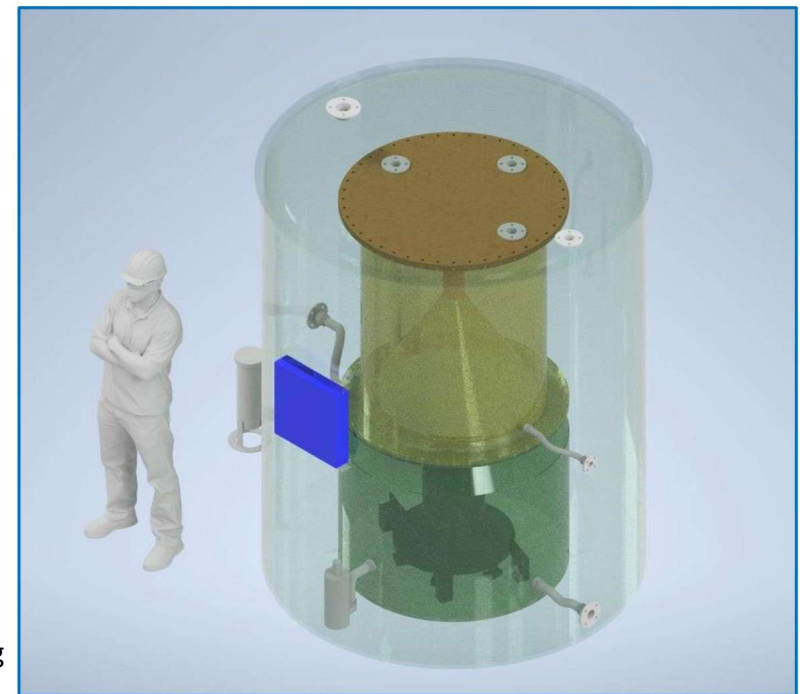


# SAFF Trade Waste

## One Step PFAS Removal from Trade Waste Effluent



- Throughput - 80,000-130,000 gpd depending on waste stream
- Concentration Factor - 1,000 times
  - Concentration rate could be increased with additional capital
- Daily Volume of Concentrate produced – 100 gallons
  - Could be reduced to 10 gals with additional capital
- Dimensions of SAFF 40 – 8' wide x 8'-6" tall x 40' long
- Reduction to approx. 1ppt for:
  - PFOA
  - PFOS
  - PFHxS
  - PFNA
  - Primary concentrate is stored in a separate compartment
  - Remote Telemetry allows for 24/7 operation without Onsite personnel. Safeguards in the system will alarm, shut down and notify the on-call operator.
  - Can be fitted with a dosing system for short chain removal
  - Suits a 'Spoke & Hub' model. i.e., Mobile collection service, consolidation of material, and treatment at a central processing facility



[www.epocenviro.com](http://www.epocenviro.com)

# Strategic Partnerships

## Allonnia

- Allonnia/OPEC agreement is five years with two-year evergreen renewals. If performance metrics are not achieved there is a two-year exit clause. It allows us to market and operate in privately-owned landfill facilities and commercial wastewater treatment facilities in the US and Eastern Canada. The purpose of this agreement is to secure SAFF technology which allows HCC to process extremely diluted material and concentrate contaminants for destruction.

## Battelle

- The Battelle agreement is for four years with a two-year renewal period. It allows us to operate in privately-owned commercial industrial wastewater treatment facilities and landfills along with non-captive on-site wastewater treatment facilities. This technology is currently the only viable way to destroy the PFAS compounds by breaking the molecular structure down leaving water, carbon dioxide, and salts for disposal.

## HCC

- Crystal Clean will package these technologies along with its logistics and wastewater treatment facilities into a turnkey solution for the processing, concentration and destruction of PFAS and organic compounds to be marketed under the trademark of “4Never”.





# How 4never™ Works

## THE SOLUTION IS FLEXIBLE FOR DEPLOYMENT

- Operates on a hub-and-spoke model, including full operations, maintenance, transportation, logistics, and storage
- Technologies are scalable to treat a wide range of volume and concentration requirements
- Wastewater processing can begin on-site or be transported to a central treatment facility for off-site treatment
- Mobile, small-scale units are available for finite or short-term projects on-site
- Large scale units can provide treatment at continuously operating fixed, permitted wastewater treatment locations



### SEPARATE & CONCENTRATE

**SAFF® units separate PFAS from wastewater, creating a PFAS hyper-concentrate. SAFF® units may be placed onsite to concentrate PFAS before transportation.**



### TRANSPORT

**4never™ transports the PFAS-contaminated wastewaters to a central disposal facility.**



### DESTRUCTION

**PFAS in the hyper-concentrate is destroyed using the PFAS Annihilator™ (utilizing super critical water oxidation), leaving behind no harmful byproducts.**

# Marketing Approach

HCC along with our strategic partners are developing a pipeline of targets bifurcated by each of our areas of expertise

- HCC
  - Commercial landfills and wastewater treatment plants (WWTP's)
  - Large industrial generators
- Allonia/OPEC/Battelle
  - Department of Defense
  - Municipal wastewater treatment plants (WWTP's)
  - Ground water remediation consultants
- Strategic partners have agreed to give us first right of refusal on service work for non-exclusive customers





# Customers and Operations

## Customers & Value Proposition

- ◆ Large and highly diversified base
  - Conducted over 282,000 machine service calls in 2022
  - During 2022, top ten Environmental Services customers represented 3.2% of total revenue
- ◆ Focus on both small to medium-sized and larger-sized waste generators
  - Model structured for successful cross-selling of additional services
  - Internal capabilities not effective or cost efficient
  - Services reduce regulatory burden
  - Allow customers to focus on their business

## Operations

- ◆ Route-based economic model
  - Route density is a significant profit driver
- ◆ The same HCCI representative provides both sales and service functions for each customer in HCC legacy branch operations
  - Highly incentivized to provide excellent customer service and cross-sell additional products/services
- ◆ Cost efficient branch model
  - Operate a network of 91 branches 14 industrial facilities and 5 hubs located in Indianapolis, Shreveport, Philadelphia, Atlanta, Bakersfield
  - Consolidation of administrative and other functions that are not critical to sales/service
  - Industrial Service Facilities are equipped, staffed, and trained to respond to emergency and spill events

# Growth Strategies – Environmental and Industrial & Field Services



## Same-Branch Sales Growth

- ◆ Adding Branch Sales Managers
- ◆ Obtain new customers in existing markets
- ◆ Cross-sell multiple services to existing customers
- ◆ Increase route density to further expand operating margins
- ◆ Continue growth through integrated sales and service approach and cross-selling; utilize incentives, such as commission and awards to drive sales
- ◆ In-source performance of industrial, field, and response services



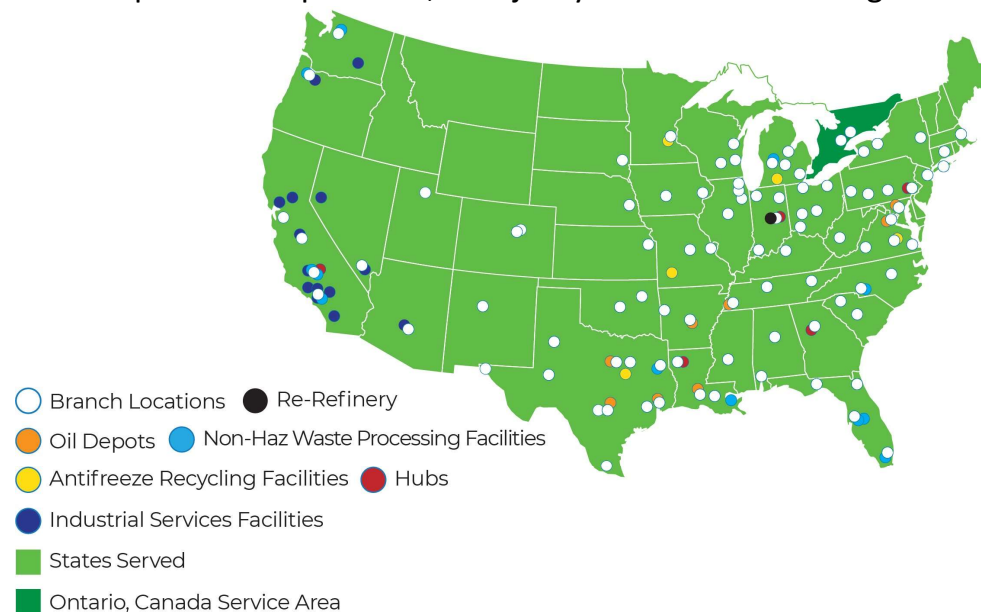
## Expanded Service Offerings

- ◆ All branches offer parts cleaning and containerized waste services
- ◆ Only about two-thirds of branches offer wastewater vacuum service, presenting significant opportunity for further market penetration
  - Adding Vacuum Sales and Service Representatives
- ◆ Expanding businesses to be offered in additional branches.
  - Antifreeze Sales & Service Representatives
  - ESP Specialists
  - Field Services Representatives

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## Growth Strategies – Environmental and Industrial & Field Services (cont'd)

- ◆ Operate from 91 branches and 14 industrial services facilities servicing 48 states and parts of Canada
- ◆ Some opportunities for expansion of ES branches within the Northeastern and Southeastern U.S.
- ◆ Large opportunity to add industrial services facilities in the Central and Eastern U.S.
- ◆ Significant opportunity to offer treatment and disposal of PFAS contaminated material/waste
- ◆ Additional acquisition opportunities exist
  - Tuck-in and Bolt-ons
  - Leverage our network and relationships
- ◆ Growth plans don't depend on acquisitions; a majority of historic revenue growth has been organic





# Oil Business





# Oil Business Components

## ◆ Used Oil Collection



- Volumes affected by seasonality (lower in winter months)
- Volume loss is expected during periods of reduction of pay-for-oil (PFO)/increase in charge-for-oil program
- If collections volumes decrease beyond normal seasonality, used oil collection fleet size is adjusted to maintain route efficiency
- Growth opportunity – results in increased route efficiency

## ◆ Re-Refining

- Nameplate capacity of 75 MM gpy; Base oil capacity of 50 MM gpy; Produces primarily Group II base oil
- Production of top-quality lubricant base oil requires hydrotreating, a process practiced at major refineries that adds significant complexity and capital cost
- Focused on reducing operating costs



## Product Sales

- Working with major oil companies to increase our base oil pricing compared to market as the result of increased demand of sustainable products to allow customers to improve their ESG profile
- Our re-refinery has been sold-out since inception
- Used oil collected far from re-refinery sold as RFO
- Longer term opportunities to go downstream and sell blended and packaged lubricants

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# Oil Business – Managing The Spreads Are Key

- ◆ The Oil Business is a Spread Business
- ◆ Profitability is dependent on managing the difference between the cost to obtain feedstock and the price at which we sell our oil products
- ◆ As the price of crude oil moves, so does the price of the oil products we sell (typically)
  - Lubricating Base Oil
  - RFO
  - Etc.
- ◆ We are price takers when selling our oil products
- ◆ Managing what we charge or pay for used oil feedstock largely determines our spread
  - We have limited control; markets are very competitive
  - Price for feedstock varies regionally and sometimes even locally
  - Moving from pay-for-oil to charging for oil collection is a slow process

# Oil Business – Structural Changes

- ❖ Prior to 2020 a secondary/tertiary source of demand for collected used oil was to add the used oil to barges of high sulfur bunker fuel which were aggregated and then sold into the marine fuel market.
  - The used oil comprised an insignificant portion of the volume of the high sulfur bunker fuel market
- ❖ When the IMO 2020 regulation to lower the sulfur content in marine fuels went into effect (in early 2020), the demand for the barges of high sulfur bunker fuel was significantly reduced.
  - The lack of demand for these barges of high sulfur bunker fuel led to the elimination of this as a source of demand for collected used oil.
- ❖ Used oil collectors who don't own re-refining capacity have had to significantly lower the value they offer to generators of used oil due to the reduced demand for the used oil they collect.
- ❖ Used oil collectors who own re-refining capacity, such as Crystal Clean, can now acquire used oil feedstock more economically (relative to crude price). This has led to a material improvement in the base oil-to-used oil spread and a significant increase in profitability

# Oil Business Segment Update



## Revenue

Decreased by 3.2 % in Q1 2023 compared to Q1 2022 driven by a decrease in base oil sales volume compared to the prior year quarter, partially offset by an increase in base oil sales price.



## Re-refinery

Base oil production volume was 12.1 MM gallons; compared with 11.9 MM gallons in Q1 2022.

After adjusting for the longer first quarter during 2023, base oil production was approximately 5% lower than the first quarter of 2022.



## Base Oil

Base oil netback increased \$0.31/gal compared to Q1 2022 but decreased \$0.38/gal compared to Q4 2022.

We sold 10.2 million gallons of base oil during Q1 2023 which represents a decrease of 19% compared to Q1 2022 if you adjust for the longer calendar quarter in Q1 2023. The decline was a result of a softer base oil demand.



## Used Oil Collection

Our net Pay-For-Oil (PFO) increased \$0.13/gallon in Q1 2023 compared to Q1 2022. Our net PFO decreased by \$0.04/gallon in Q1 2023 compared to Q4 2022. This is the first time in the past 10 quarters in which our pay-for-oil declined on a sequential basis.



# Oil Business Segment Outlook

- ◆ We look to continue to increase our used oil collection volumes and the density of our individual collection routes
- ◆ During the first half of the year, we expect spreads to continue to be strong.
- ◆ Base oil pricing has fallen materially since the highs reached in the second half of 2022. However, we expect pricing to be strong compared to historic standards during the first half of 2023.
- ◆ Operating Margin
  - We expect operating margin to be in the mid to high teens for the second quarter and then moving above twenty percent for balance of year.
  - During the first half of 2023 we expect our operating margin percentage will be slightly higher compared to the second half of 2023.



# Financial



# Financial Highlights & Information



**Demonstrated strong revenue growth from 2000 to 2022 sales CAGR of 18.6%**



**We will begin reporting our business in three segments. Effective January 1, 2023 we will report our activity in the following segments: Environmental Services, Industrial & Field Services and Oil Business.**



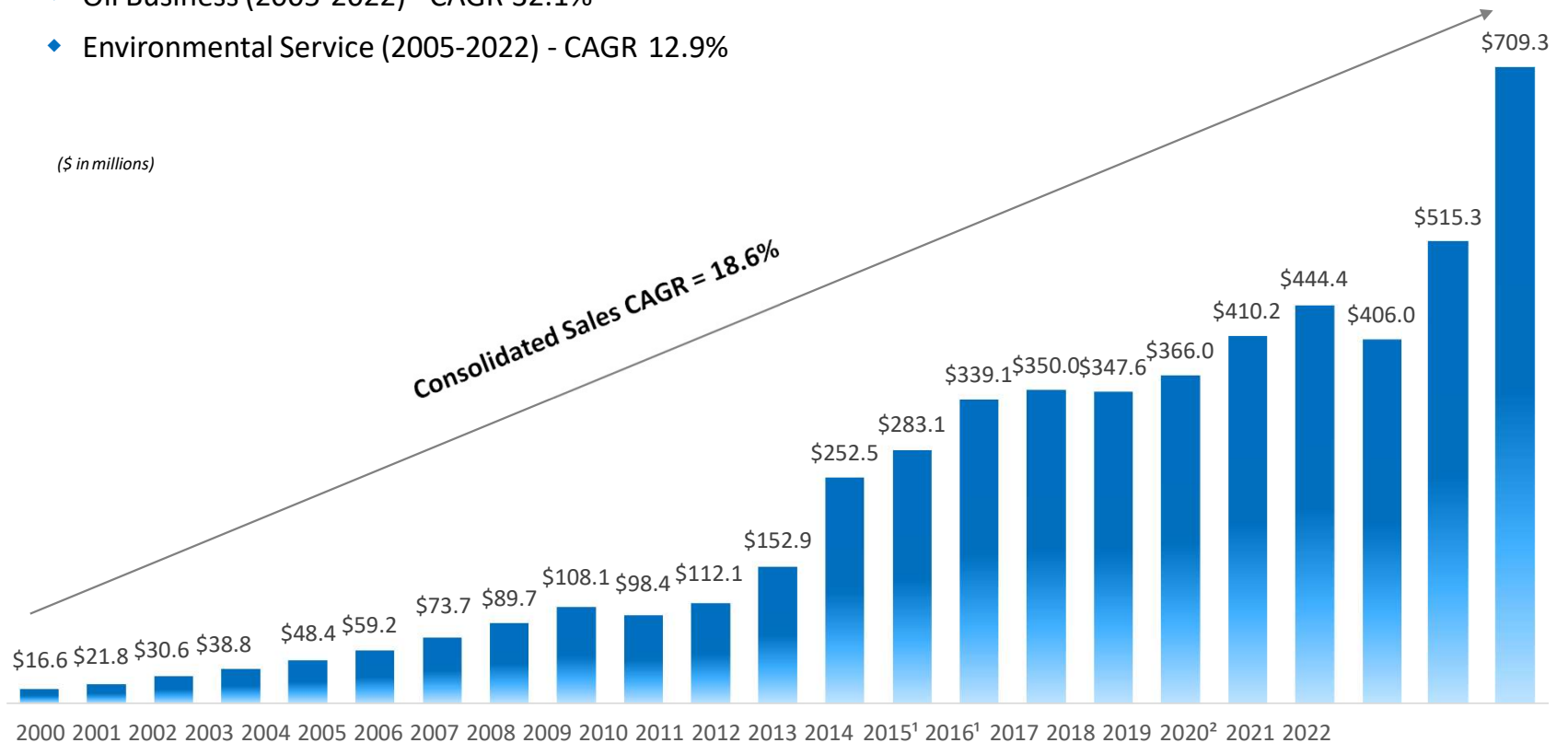
**Profitability enhancements over time include leveraging SG&A and other fixed costs and implementing price increases**



**For 2022 and earlier, first 3 quarters consist of 12 weeks; fourth quarter consists of 16 or 17 weeks. **Beginning in 2023 we began reporting our financial results on a calendar-quarter basis.****

# Long History of Strong Revenue Growth

- ◆ Oil Business (2005-2022) - CAGR 32.1%
- ◆ Environmental Service (2005-2022) - CAGR 12.9%

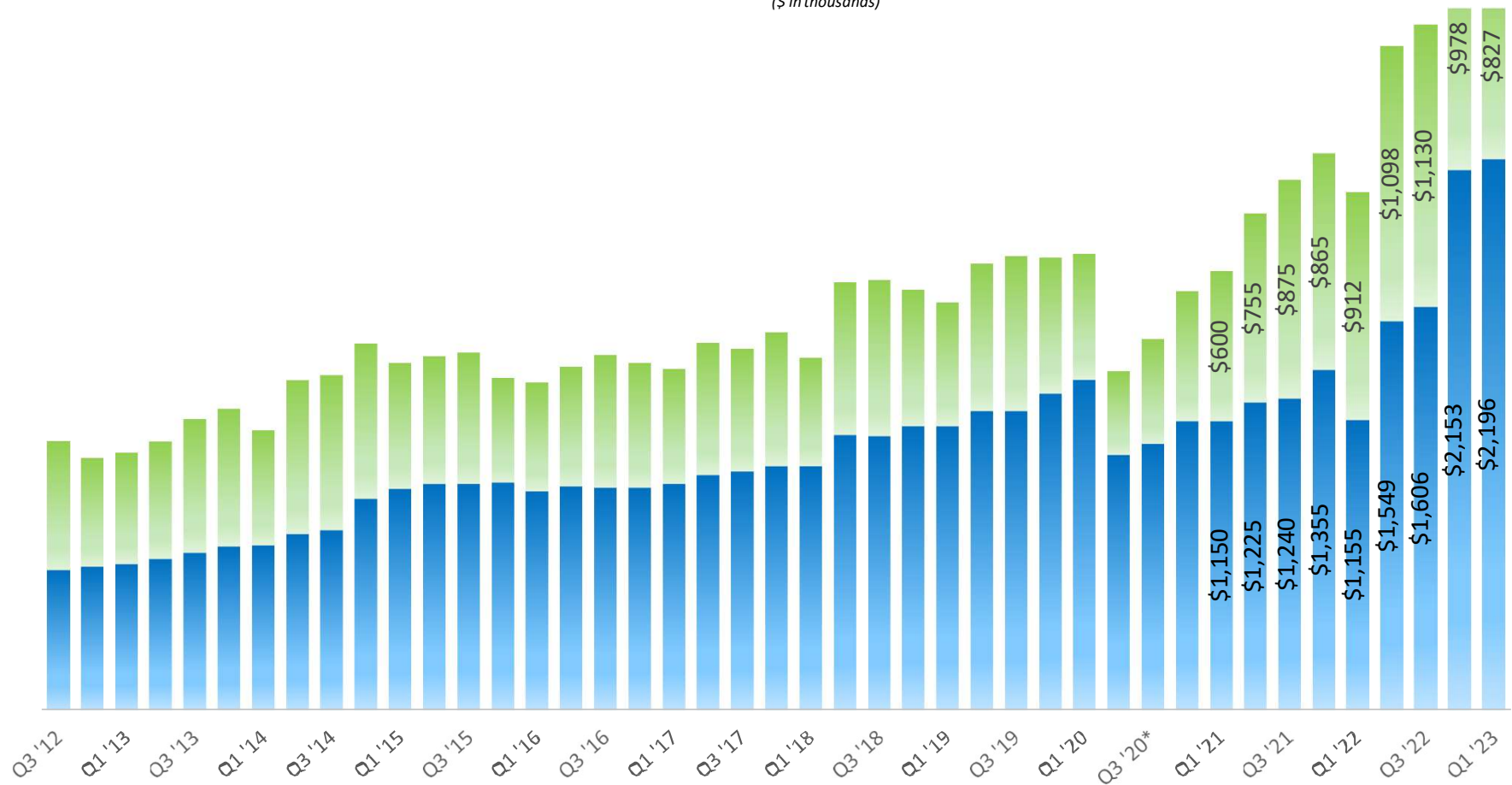


- (1) Revenue negatively impacted by dramatic decline in commodity prices  
 (2) Revenue negatively impacted by COVID-19



# Average Sales Per Working Day

(\$ in thousands)



\* Results negatively impacted by COVID-19

■ Environmental Services & Industrial & Field Services

■ Oil Business

HCCI Investor Presentation Q1 2023



# Appendix



# EBITDA & Adjusted EBITDA Reconciliation

(\$ in millions)

	FY 2019	FY 2020	FY 2021	FY 2022
Net Income (loss)	\$ 8.7	\$ 11.9	\$ 60.9	\$ 84.8
Interest Expense - net	\$ 0.9	\$ 1.3	\$ 0.9	\$ 3.2
Provision for (benefit of) Income Taxes	\$ 3.2	\$ 4.8	\$ 21.1	\$ 30.4
Depreciation & Amortization	\$ 18.2	\$ 18.2	\$ 23.5	\$ 35.7
EBITDA	\$ 31.1	\$ 42.6	\$ 106.5	\$ 154.1
Non-Cash Compensation	\$ 4.0	\$ 3.2	\$ 5.7	\$ 5.0
EBITDA + Non-Cash Compensation	\$ 35.1	\$ 45.8	\$ 112.2	\$ 159.1
Accrual for legal settlement of class action lawsuit	\$ 11.3	\$ -	\$ -	\$ 1.2
Reversal of remaining accrual for legal settlement of class action lawsuit	\$ -	\$ (6.5)	\$ -	\$ -
Severance and retirement costs	\$ 0.8	\$ 0.9	\$ 0.2	\$ 0.6
Site Closure Costs	\$ 2.7	\$ 0.2	\$ -	\$ -
Write-down of Assets Held for Sale	\$ -	\$ 1.4	\$ -	\$ -
Adoption of ASC 842 lease accounting standard	\$ 2.2	\$ -	\$ -	\$ -
Implementation cost of 842	\$ 0.4	\$ -	\$ -	\$ -
Cost associated with business acquisitions	\$ -	\$ -	\$ 1.2	\$ 1.2
Loss on disposal of re-refinery assets	\$ -	\$ -	\$ 1.2	\$ 1.2
Gain on fair value investments	\$ -	\$ -	\$ 1.2	\$ (12.2)
<b>Adjusted EBITDA</b>	<b>52.5</b>	<b>41.8</b>	<b>113.6</b>	<b>151.1</b>

# EBITDA & Adjusted EBITDA Reconciliation – Q1 2023

*(\$ in millions)*

Q1 2023	
Net Income	\$ 16.6
Interest Expense - Net	\$ 1.8
Provision for (benefit from) income taxes	\$ 5.6
Depreciation & Amortization	<u>\$ 12.2</u>
EBITDA	\$ 36.2
Non-cash Compensation	\$ 1.3
Adjusted EBITDA	<u>\$ 37.5</u>

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